

# **EXHIBIT E**

PILLSBURY & LEVINSON LLP

ERIC K. LARSON

April 18, 2008

*Via Fax & U.S. Mail*

Samuel H. Ruby  
Judith A. Whitehouse  
Bullivant, Houser & Bailey PC  
601 California Street, Suite 1800  
San Francisco, CA 94108

Re: *Copart, Inc. v. United States Fire Insurance Company*,  
U.S. District Court, Northern District, Case No. 07 02684 CW

Dear Counsel:

Consistent with what has been your practice in this case, your April 15, 2008 letter does not constitute a reasonable effort to meet and confer but only consists of mischaracterizations of what we and the Court have said. The fact that you would threaten to seek issue sanctions when the last discovery ruling from the Court was largely in Copart's favor is, unfortunately, illustrative of the reaction we get from USFIC when we try to meet and confer on discovery.

Your statement that Copart has taken the position that USFIC is not entitled to any discovery regarding any location other than Yard 105 is simply false; my April 11 says the opposite. It attempted to open a discussion regarding "how we can get you a reasonable production of documents that meets your needs on USFIC's counterclaims." Instead of taking the invitation and reasonably meeting and conferring, you choose to cast untrue aspersions. Let me try again.

**Documents and Site Inspections.**

You have avoided one of the central questions of my letter, asking you to articulate your theory of negligent misrepresentation and in particular an explanation of how USFIC could possibly have been damaged even assuming that Copart "negligently misrepresented" property values. You resolutely refuse to do so. I ask again: Is there any authority for the proposition that USFIC suffered detriment proximately caused by the alleged misrepresentations with respect to a particular property when Copart never

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Samuel H. Ruby  
Judith A. Whitehouse  
April 18, 2008  
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made a claim with respect to that property, and USFIC never made a payment? Is the theory that USFIC could have made more money on the relationship with Copart than it already did? If so, please cite me some authority supporting such a "damages" theory.

I remind you that USFIC required us to explain the relevance of something as basic as loss reserve information before it would respond (and still hasn't responded). I am asking for some citation of case authority supporting your damages claim that would make your wide-ranging discovery requests relevant.

Notwithstanding the fact that our attempts to meet and confer with you are akin to shouting into a stiff wind, we propose to produce to you a lengthy document called Construction in Process Completed Projects that will show, for each yard, from January 1, 2000 to January 31, 2007 the date, vendor name, explanation, and amount for each invoice paid that relates to construction and renovation. We are also looking into whether there is a similar summary document reflecting acquisitions and purchase prices. If there is, we will produce it. Your proposed stipulation is rejected.

With regard to computer and personal property invoices related to the 5 specific yards, as a general practice Copart does not maintain, on a per yard basis, records of computers or personal property purchased. Computers and other items (copiers, postage machines, furniture and the like) are purchased centrally and distributed to the particular yards nationwide. We are looking into what sort of summary document may exist that would give you a general idea of computers and personal property purchased for those particular yards and the cost thereof.

We are willing, in the spirit of cooperation, to make the documents described above available, but are unwilling to allow the intrusive procedure of property inspections by unnamed "consultants", especially without any effort on your part to articulate a theory of relevance or discoverability. Further, these "inspections" would be duplicative of, or likely less useful than, the documents we have agreed to produce. Please let us know if you insist on pursuing the inspections, and we can discuss the scheduling of our motion for a protective order.

Samuel H. Ruby  
Judith A. Whitehouse  
April 18, 2008  
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With regard to documents reflecting the renovation of the shed, and the current rebuild of the Truck Depot, we are preparing those for production. However, the documents related to the Truck Depot include numerous oversize drawings that will be more costly than usual to copy. We have an estimate of \$651 to make those copies and we will need your confirmation that we may have the copy service bill your office on behalf of USFIC directly before we proceed to make those copies.

Further, we have agreed to produce Fixed Asset Master lists for 2003 and 2004 under an interpretation of Judge LaPorte's comments that is very generous to USFIC, and will do so. The Court very clearly chose the date of the hurricane as the "time cut-off" and stated that "I don't think present values are relevant," a comment, incidentally, that also casts doubt on the propriety of site inspections. Please explain how Fixed Asset Master lists after 2005 are discoverable in light of the Court's comments.

**Depositions.**

We are in the process of scheduling these depositions with you and there are no disputed issues at the moment.

**USFIC Responses.**

You still owe us the unredacted documents showing loss reserve information. We asked for those documents by letter of March 31, 2008, you responded by asking us to explain the relevance by letter of April 7, and we did so by letter of April 11.

**Amendments to Answer.**

Your letter of April 15, 2008 contains the first articulation of a theory of "misrepresentation" that is apparently based on an alleged discrepancy between the July 2007 Statement of Values and the October 2, 2003 SOV, three years earlier. This now raises a statute of limitations issue and we will seek to amend our answer to add an affirmative defense that the counterclaim is barred by the statute of limitations. Because leave to amend is freely granted, even up to the date of trial, and such an amendment will not change in any way the discovery that has been or will be conducted, we ask that you

Samuel H. Ruby  
Judith A. Whitehouse  
April 18, 2008  
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agree to stipulate to such an amendment. Please let us know immediately or we will bring a motion to the court.

I'm happy to discuss all of these issues with you. To the extent there remain issues that require court resolution, I suggest that we discuss and identify these and, if necessary, jointly choose a hearing date so that we may bring all issues to the court in a cohesive manner.

Very truly yours,

A handwritten signature in black ink, appearing to read "Eric K. Larson", with a long horizontal flourish extending to the right.

Eric K. Larson

EKL:sb

11/8/1999 TRAVIS JOHNS

mtrslr denver we

Yard renovations

Dollar amount redacted.

Yard 68 Total

YARD: 70 West Palm Beach

6/8/2000 ANTHONY ZIAJA

2/16/2000 CAMARDA BUILDERS INC

12/31/2000 CAMARDA BUILDERS INC

11/1/2000 CAMARDA BUILDERS INC

2/4/2000 CAMARDA BUILDERS INC

3/7/2000 CAMARDA BUILDERS INC

5/1/2000 CAMARDA BUILDERS INC

4/3/2000 CAMARDA BUILDERS INC

1/20/2000 CAMARDA BUILDERS INC

5/11/2000 J.M. RUSSELL ELECTRI

9/14/2000 J.M. RUSSELL ELECTRI

5/30/2000 J.M. RUSSELL ELECTRI

5/1/2000 J.M. RUSSELL ELECTRI

9/30/2000 LARRY STRIPLING

4/27/2000 LARRY STRIPLING

8/14/2000 LARRY STRIPLING

3/29/2000 LARRY STRIPLING

11/8/2000 LARRY STRIPLING

5/28/2000 LARRY STRIPLING

7/17/2000 LARRY STRIPLING

4/24/2000 PALM BEACH COUNTY WAT

5/18/2000 PM SURVEYING INC

4/27/2000 PM SURVEYING INC

6/21/2000 R.E. WILLIAMS CONSTR

2/1/2000 SANTOM TRANSPORT INC

1/17/2000 TOWN &amp; COUNTRY SEPTIC

Report: 2080.mdb:Reclass Detail

Page 233

25-Apr-08 12:54 PM

Date Vendor Name/LE Description

Explanation

Amount

Bcls Acct

Bcls Date

3/14/2000 KANTOR'S DISCOUNT OF

down print workshale

Dollar amount redacted.

2050 2/28/2001

4/19/2000 KANTOR'S DISCOUNT OF

FINAL PYMNT WRK STAT

Dollar amount redacted.

2050 2/28/2001

Cubicles

3/28/2000 BALL PRODUCTS INC

FENCE SCREENING

Dollar amount redacted.

2030 2/28/2001

2/11/2000 FABRICATION SPECIALT

3 sets gate rollers

Dollar amount redacted.

2030 2/28/2001

5/18/2000 FENCE BUILDER

FENCE

Dollar amount redacted.

2030 2/28/2001

6/21/2000 FENCE BUILDER

FENCE REPAIR

Dollar amount redacted.

2030 2/28/2001

6/21/2000 FENCE BUILDER

GATE REPAIR

Dollar amount redacted.

2030 2/28/2001

5/18/2000 FENCE BUILDER

FENCE

Dollar amount redacted.

2030 2/28/2001

3/2/2000 FENCE BUILDER

fence material

Dollar amount redacted.

2030 2/28/2001

5/28/2000 FENCE BUILDER

cantilever gate oper

Dollar amount redacted.

2030 2/28/2001

4/17/2000 FENCE BUILDER

2nd paym/fence cont

Dollar amount redacted.

2030 2/28/2001

7/20/2000 MICHAEL RISPOLI

2 sensors

Dollar amount redacted.

2030 2/28/2001

6/5/2000 MICHAEL RISPOLI SERV

instl elctrc gate op

Dollar amount redacted.

2030 2/28/2001

CONFIDENTIAL  
CPT003457



Report: 2080.mdbRedass Detail

**Date Vendor Name/DE Description**

3/27/2000 RENTAL SERVICE CORPO  
8/31/2000 RENTAL SERVICE CORPO  
3/27/2000 RENTAL SERVICE CORPO  
5/16/2000 RENTAL SERVICE CORPO  
2/17/2000 RENTAL SERVICE CORPO  
4/19/2000 RENTAL SERVICE CORPO  
4/19/2000 SANTOM TRANSPORT INC  
10/24/2000 SANTOM TRANSPORT INC  
4/6/2000 STEVE GRANATO TRUCKI  
3/28/2000 SUNBURST SANITATION  
5/15/2000 SUNBURST SANITATION  
7/6/2000 SUNBURST SANITATION  
9/30/2000 VICTOR MACYON  
8/29/2000 VICTOR MACYON  
4/3/2000 VICTOR MACYON

DSL FOR LOADER 21 GA  
TRENCHER RENTAL  
TRACTOR LOADER & DSL  
EXCAVATOR RENTAL  
DITCH TRENCHER RENTA  
MINI EXCAVATOR RENTA  
CLEANING DITCH TRUCK  
CRUSHED ASPHALT  
Inclusing from ditch  
DUMP FEES JUNK BLDG  
DUMP FEE  
dump fee  
labor  
labor  
day labor

Grading/Paving Dollar amount redacted.

new office bid out outside  
office renovation  
LABOR  
RENOVATION ALL STATE OFFICE

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25-Apr-08 12:54 PM

**Explanation****Amount****Pct's Acct****Pct's Date**

5/6/2003 WOODOCO CONTRACTING  
5/23/2003 WOODOCO CONTRACTING

RENOVATIONS  
FINAL/ROOF REPAIR ONLY

Insurance office Renov Dollar amount redacted.

2030  
2030  
2030  
2030

10/1/2003  
10/1/2003  
10/1/2003  
10/1/2003

5/28/2000 LARRY STRIPLING  
4/27/2000 LARRY STRIPLING  
8/31/2000 LARRY STRIPLING  
6/23/2000 NELSON LAND CLEARING  
8/21/2000 RAY TRAISTER  
6/6/2000 RAY TRAISTER  
5/18/2000 RAY TRAISTER  
4/17/2000 RAY TRAISTER

Pipe for sprinkler system  
HOME DEPOT & OTHER S  
Supplies  
landscape mulch  
instl prt scann fric & landscape wrk  
landscape  
LANDSCAPE CONTRACT B  
landscape deposit

Landscape Dollar amount redacted.

2030  
2030  
2030  
2030  
2030  
2030  
2030  
2030

2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001

3/31/2000 OFFICE DEPOT  
3/23/2000 OFFICE DEPOT

credenza, computer  
office furniture for new yard

Office furniture Dollar amount redacted.

2030  
2030

2/28/2001  
2/28/2001

12/8/1999 BRICKLEYER SMOKER  
4/30/2000 BRICKLEYER SMOKER  
12/31/1999 BRICKLEYER SMOKER  
3/20/2000 BRICKLEYER SMOKER  
10/27/2000 BRICKLEYER SMOKER  
3/28/2000 BRICKLEYER SMOKER  
12/30/1999 SMITH TECHNICAL SERV  
12/30/1999 SMITH TECHNICAL SERV

ACQUISITION LND PALM  
ACQUIS PARCEL LAND I  
ACQ LAND PARCELS PAL  
ACQ W PALM BEACH  
credit check deposited 10/27/00  
services/W Palm Beac  
PHASE I ENVIRONMENTL SIT  
PHASE II ENVIRONMENTL S

2010  
2010  
2010  
2010  
2010  
2010  
2010  
2010

2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001  
2/28/2001

Property Purchase - 7/1994

Dollar amount redacted.

Yard 70 Total

CONFIDENTIAL  
CPT003459



# **EXHIBIT F**

SAMUEL H. RUBY  
Direct Dial: (415) 352-2723  
E-mail: samuel.ruby@bullivant.com

April 28, 2008

*Via Hand Delivery*

Eric K. Larson  
Pillsbury & Levinson, LLP  
The Transamerica Pyramid  
600 Montgomery St., 31st Fl.  
San Francisco, CA 94111

Re: Copart Inc. v. Crum & Forster Indem. Co., et al.  
N.D. Cal. No. C07-02684 CW - EDL  
Our File No. 10450/69

Dear Counsel:

In March, US Fire served Requests for Entry Upon Land (site inspections). The inspections were noticed for dates in late April, within (what was then) the discovery cut-off. At your office's request, we agreed to reschedule the inspections for May, and we agreed to stipulate to an extension of the discovery cut-off to allow for that. The extension was granted, and we waited for you to propose new dates for the inspections.

In your letter of April 18, 2008, you advised that you "are unwilling to allow the intrusive procedure of property inspections." You asserted that inspections "would be duplicative of, or likely less useful than, the documents" you purportedly "have agreed to produce." You informed us that if US Fire "insist[s] on pursuing the inspections," then you will file a motion for a protective order.

US Fire will not withdraw its requests for site inspections. On the contrary, given that Copart has not actually produced even a single document in response to US Fire's second and third set of document requests, US Fire has been planning to notice *additional* site inspections. Additional site inspection requests (still limited to California and Florida) are enclosed. Because you have advised that Copart will not voluntarily allow *any* inspections and will be moving for a protective order, we have left the dates of the additional inspections

Eric K. Larson  
April 28, 2008  
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to be determined. Similarly, pending the outcome of the motion, we will not insist you to provide new dates for the inspections that were previously noticed.

We will submit a detailed response to Copart's objections and anticipated motion when US Fire's opposition is due. But briefly:

Relevance. The requests are relevant. Site inspections would allow US Fire to confirm the construction type, square footage, and other features of the properties. That information, coupled with information about prevailing construction costs in 2003-2006, would enable US Fire to determine what it would have cost to replace the properties during that time frame. Discrepancies between those true replacement cost values and the values that Copart *reported* to US Fire in 2003-2006 will support US Fire's counterclaim for negligent misrepresentation.

Ambiguity. The requests are not ambiguous. As required by FRCP 34, the requests state that the purpose of entry would be to "inspect, measure, survey, [and/or] photograph] the buildings or structures." Surely you know what those words mean. Also, the requests clearly state that there will be "no testing, destructive or otherwise," so if you are implying that you have some concern that Copart's properties will be damaged or disturbed in any way, that concern is unfounded.

Vagueness. With respect to the identities of the replacement cost consultant(s) who will be conducting the inspections, we did not have that information at the time. We are still in the process of retaining replacement cost consultants in California and Florida, and we cannot imagine that it makes any real difference to you who the cost estimator or similar consultant will be. However, we recognize that Copart needs to know *whom to let in*, and for that reason we stated in the requests that the information would be provided at least seven days before any inspection. We stand by that promise and will even try to provide the information by the time of the hearing on your motion.

Undue burden. There would be nothing unduly burdensome about having to allow a cost estimator or similar expert access to a facility for a replacement cost appraisal. Nor has Copart ever "offered to make available" documents showing "purchase price, construction expenditures and renovation expenditures for every yard." Copart objected to Document Requests Nos. 18-19, forced a motion to compel with respect to those requests, and never produced anything in response to them except the Fixed Master Asset List for a single date. Copart has objected to US Fire's second and third sets of document requests, has not produced a single document in response to them, and we will now have to file a motion to compel compliance with those requests.

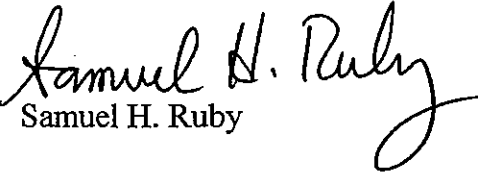


Eric K. Larson  
April 28, 2008  
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Furthermore, please recall that US Fire suggested a stipulation (to be based on Copart's own 2007 statement of values) regarding the true replacement cost values of Copart's properties at the relevant times. Copart refused that stipulation and has not proposed any other stipulation. Having refused to stipulate to the true values and having refused to produce documents from which US Fire could derive them, Copart has forced US Fire to conduct site inspections. It is Copart, not US Fire, that is making the issue unnecessarily complex and expensive to resolve.

We agree that the parties should attempt to coordinate hearing dates for their respective motions (US Fire's motion concerning the document requests, Copart's motion concerning the site inspection requests). When US Fire's motion is nearly ready for filing, and when we have a hearing date in mind, we will contact you. In the meantime, we trust you will be preparing Copart's motion.

Very truly yours,

  
Samuel H. Ruby

SHR:wlw  
Enclosure  
10541954.1



1 Jess B. Millikan (CSB#095540)  
2 Samuel H. Ruby (CSB#191091)  
3 Judith A. Whitehouse (CSB#198176)  
4 BULLIVANT HOUSER BAILEY PC  
5 601 California Street, Suite 1800  
6 San Francisco, California 94108  
7 Telephone: 415.352.2700  
8 Facsimile: 415.352.2701  
9 jess.millikan@bullivant.com  
10 samuel.ruby@bullivant.com  
11 judith.whitehouse@bullivant.com

12 Attorneys for Defendant  
13 United States Fire Insurance Company

14 UNITED STATES DISTRICT COURT  
15 NORTHERN DISTRICT OF CALIFORNIA  
16 OAKLAND DIVISION

17 COPART INC.,

18 Plaintiff,

19 vs.

20 CRUM & FORSTER INDEMNITY  
21 COMPANY,<sup>1</sup> UNITED STATES FIRE  
22 INSURANCE COMPANY, and DOES 1-10,

23 Defendants.

24 AND RELATED COUNTERCLAIMS.

Case No.: C 07 02684 CW - EDL

**US FIRE'S SECOND SET OF ENTRY  
(SITE INSPECTION) REQUESTS**

25  
26  
27  
28 <sup>1</sup> Dismissed by Order Upon Stipulation (6/15/07).

Pursuant to FRCP 34, United States Fire Insurance Company ("USFIC") requests that Copart, Inc. ("Copart" or "you") permit entry by consultants retained by USFIC onto the following designated land or other property possessed or controlled by Copart so that the consultants may inspect, measure, survey, or photograph the buildings or structures located there. The consultants will perform no testing, destructive or otherwise. The identities of the consultants will be provided at least 7 days prior to the inspections.

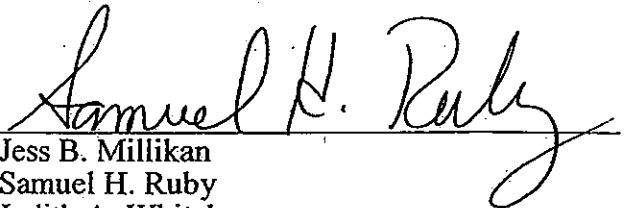
11. Yard #4, 1255 East Central Ave., Fresno CA 93725
12. Yard #5, 2216 Coy Avenue, Bakersfield CAS 93307
13. Yard #6, 13895 Llagas Avenue, San Martin CA 95046
14. Yard #7, 1203 S. Rancho Avenue, Colton CA 92324
15. Yard #10, 8423 South Alameda, Los Angeles CA 90001
16. Yard #43, 7519 Woodman Avenue #B, Van Nuys CA 91405
17. Yard #42, 450 Hammond Blvd., Jacksonville FL 32220
18. Yard #55, 8200 McCoy Road, Orlando FL 32822

Dates and times to be determined by the parties or the Court pending the outcome of Copart's motion for a protective order.

DATED: April 28, 2008

BULLIVANT HOUSER BAILEY PC

By

  
Jess B. Millikan  
Samuel H. Ruby  
Judith A. Whitehouse

Attorneys for Defendant  
United States Fire Insurance Company

**PROOF OF SERVICE BY HAND**

I am employed in the City and County of San Francisco. I am over the age of eighteen years and not a party to the within action; my business address is 1255 Post Street, Suite 500, San Francisco, CA 94109.

On April 28, 2008, I served the within

**U.S. FIRE'S SECOND SET OF ENTRY (SITE INSPECTION) REQUESTS**

in said action by personally delivering a true copy thereof to:

Eric K. Larson Pillsbury & Levinson, LLP The Transamerica Pyramid 600 Montgomery St., 31st Fl. San Francisco, CA 94111 Tel: (415) 433-8000 Fax: (415) 433-4816 Attorneys for Plaintiff COPART INC.	
--	--

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on April 28, 2008, at San Francisco, California.

NATIONWIDE NETWORK

By: \_\_\_\_\_

\_\_\_\_\_  
(print name)

# **EXHIBIT G**



PILLSBURY & LEVINSON LLP

ERIC K. LARSON

April 29, 2008

*Via Fax & U.S. Mail*

Samuel H. Ruby  
Bullivant, Houser & Bailey PC  
601 California Street, Suite 1800  
San Francisco, CA 94108

Re: *Copart, Inc. v. United States Fire Insurance Company*,  
U.S. District Court, Northern District, Case No. 07 02684 CW

Dear Mr. Ruby:

We are in receipt of your letter of April 28, 2008.

With regard to Copart's production of documents, Copart produced documents today related to the renovation of the shed and rebuild of the Truck Depot as well as the Fixed Asset Lists for 2003 and 2004.

By the end of this week, we will produce the Construction in Progress report for every yard, from January 1, 2000-July 31, 2007, the document we previously described in our letter of April 18. This document contains the information sought by your document Requests Nos. 26 and 27. We are also still attempting to determine the existence of a document showing acquisition dates and purchase price for every yard which would be in Response to your Request No. 25. In order to produce that information, we will need to have entry of the confidentiality agreement and proposed order. We sent a draft to you last week.

We understand the difference between discoverability and admissibility. These documents, however, contain information that is completely irrelevant to this action, your counterclaim included, and not reasonably calculated to lead to the discovery of admissible evidence. Copart will produce these documents in the spirit of cooperation in discovery and despite your letters on behalf of USFIC that use a bellicose tone to attempt to distract from a lack of substance. You continue to state, in effect, that the discovery related to values of other yards is relevant to your counterclaim because you say so, and fail to articulate any damages USFIC could have possibly suffered or how a statement

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Samuel H. Ruby  
April 29, 2008  
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regarding a potential replacement value can be an actionable misrepresentation. The counterclaim, and the attendant discovery, is simply a tactic intended to harass USFIC's insured.

Copart is a very busy company; we are not able to immediately conjure up the documents in response to USFIC's indiscriminate and far flung requests. Our efforts to engage in a reasonable conversation about discovery and an appropriate narrowing are rebuffed at every turn. Nevertheless, Copart has diligently accumulated and will produce this week the documents described above as we proposed to do in our letter of April 18. Our production of these documents, and the other over 3,000 pages of documents we have produced, demonstrates the upmost good faith in which Copart has been responding to discovery. Your statement in your April 28 letter, "Nor has Copart ever 'offered to make available' documents showing a 'purchase price, construction expenditures and renovation expenditures for every yard,'" is not true. My April 18 letter made exactly that offer. The stipulation you offered was not acceptable and you have not accurately described it in this most recent letter.

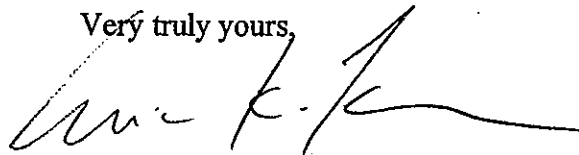
With regard to the site inspections, we will bring a motion for a protective order. You have repeatedly refused to, and presumably cannot, articulate how a "replacement cost appraisal" made in 2008 is relevant to your counterclaim. In any event, you already have building type and age, square footage, acreage, and other information from the June 28, 2007 Statement of Values, and will have all the construction information from the CIP Report.

Judge LaPorte hears discovery motions on Tuesdays. We will file our motion on May 6, set for hearing on June 10. After Copart's production of additional documents, I don't know what remaining issues, if any, you would have for a motion to compel, but let me know ahead of time, so we can work these remaining issues out, if possible, as Judge LaPorte has instructed us to do.

Samuel H. Ruby  
April 29, 2008  
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With regard to the 2<sup>nd</sup> set of site inspection requests served yesterday, those requests are not allowed under the Court's order of April 14, 2008 and I trust you will withdraw those and not force a motion.

Very truly yours,

A handwritten signature in black ink, appearing to read "Eric K. Larson", with a long horizontal flourish extending to the right.

Eric K. Larson

EKL:sb

# **EXHIBIT H**

JUDITH A. WHITEHOUSE  
Direct Dial: (415) 352-2724  
E-mail: judith.whitehouse@bullivant.com

May 1, 2008

*Via Facsimile*

Eric K. Larson  
Pillsbury & Levinson, LLP  
The Transamerica Pyramid  
600 Montgomery St., 31st Fl.  
San Francisco, CA 94111

Re: *Copart Inc. v. Crum & Forster Indem. Co., et al.*  
N.D. Cal. No. C07-02684 CW (EDL)  
Our File No. 10450/69

Dear Eric:

This is in response to your letter of April 29, 2008, specifically with regard to the issue of additional site inspections. We note your contention that the Court's order of April 14, 2008 precludes our request for additional site inspections as served April 28.

We do not believe that the Court's order precludes additional site inspections, but rather that the Court's order precludes either party from serving any additional requests for production or inspection of documents. That was our understanding in entering into the stipulation to extend discovery deadlines. If the stipulation is interpreted otherwise, there is no consideration for U.S. Fire's agreement to extend deadlines. As you know, U.S. Fire had noticed its depositions and propounded its written discovery, and in fact served its initial request for certain site inspections all within the original discovery deadlines. The only benefit to U.S. Fire in agreeing to extended discovery deadlines was the opportunity to request additional site inspections.

However, we understand that you will shortly be filing a motion for a protective order with respect to the initial request for site inspections. We therefore propose to wait for a ruling on that motion before any further discussion of the parameters of the stipulation as it applies to the second request for site inspections. If the Court grants your motion for a protective order, there will be no need to bring a second motion. If, on the other hand, the

*Merged with Jacobs & Ferraro, LLP, April 2008*

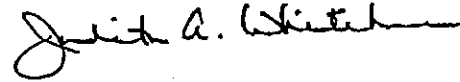
10546439.1 601 California Street, Suite 1800, San Francisco, CA 94108-2823 • 415.352.2700 Fax 415.352.2701

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Eric K. Larson  
May 1, 2008  
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Court denies your motion, we will continue to meet and confer on the scope of the second request. If we cannot reach agreement on those additional site requests, we will request a ruling from the Court.

Very truly yours,



Judith A. Whitehouse

JAW:jaw

cc: Samuel H. Ruby